

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 INRE-00 SSO-00 NSCE-00

USIE-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02

H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04

RSC-01 AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00

PRS-01 SPC-03 FEA-02 OMB-01 DRC-01 ( ISO ) W

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O P 211736Z MAR 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 3003

INFO USMISSION GENEVA PRIORITY

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E.O. 11652: N/A

TAGS: GATT, ETRD, CA

SUBJECT: CANADIAN CHERRY & BEEF SURTAXES: U.S. COMPENSATION  
REQUESTS.

REF : MARCH 21 MELLOR-GLITMAN TELECON

1. MARCH 21 TORONTO GLOBE & MAIL AND MONTREAL GAZETTE CARRY  
WASHINGTON DATELINED CANADIAN PRESS ITEMS HEADLINED "SURCHARGE  
HELD GATT VIOLATION" (GLOBE & MAIL) AND "US SEEKS COMPENSATION  
FROM CANADA" (GAZETTE). VERBATIM TEXTS FOLLOW:

GLOBE & MAIL:

THE UNITED STATES SAYS CANADA CONTRAVENED SECTION 19 OF THE  
GENERAL AGREEMENT ON TARIFFS AND TRADE WHEN IT IMPOSED TARIFF  
SURCHARGES OF 6 CENTS A POUND ON BEEF AND 3 CENTS A POUND ON  
LIVE CATTLE LAST NOVEMBER.

FOLLOWING A U.S. PROTEST, THE SURCHARGES WERE REMOVED AND  
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LATER CANADIAN FARMERS AND RANCHERS WERE GRANTED A FEDERAL

SUBSIDY OF 7 CENTS A POUND ON TOP GRADES OF BEEF.

A PROTEST AGAINST CHERRY PRICING CAME AFTER OTTAWA PLACED A "VALUE-FOR-DUTY" SURCHARGE ON THAT PRODUCT, SETTING A MINIMUM PRICE UNDER WHICH SWEET CHERRIES COULD CROSS THE U.S. BORDER INTO CANADA.

ROBERT MCCONNELL, A TRADE POLICY SPECIALIST IN THE U.S. DEPARTMENT OF AGRICULTURE, SAID THE VIOLATIONS DEPRESSED THE PRICE OF BEEF IN THE UNITED STATES AND FORCED UP THE PRICE OF CHERRIES TO THE CONSUMER IN CANADA.

THE UNITED STATES IS SEEKING COMPENSATION IN NEGOTIATIONS UNDERWAY IN WASHINGTON AND OTTAWA. A DECISION ON THE CHERRY ISSUE IS EXPECTED OUT OF OTTAWA BEFORE THE END OF THIS MONTH, HE SAID, WITH RESOLUTION OF THE BEEF SITUATION EXPECTED "AT ANY TIME NOW."

GATT, THE AGREEMENT UNDER WHICH MOST WORLD TRADE IS REGULATED, PROVIDES FOR COMPENSATION WHERE A COUNTRY CAN ESTABLISH THAT ITS PROVISIONS HAVE BEEN VIOLATED BY THE ACTIONS OF ANOTHER COUNTRY.

"WE FEEL THAT A DUTY, ONCE ESTABLISHED, SHOULD BE HONORED," MR. MCCONNELL SAID. "WE ARE ASKING COMPENSATION IN THE SAME DEGREE THAT CANADA RAISED THE TARIFFS."

HE DECLINED TO STATE HOW MUCH THE UNITED STATES IS SEEKING, SAYING IT WOULD BE UP TO THE CANADIAN GOVERNMENT TO SPECIFY THE AMOUNTS.

GAZETTE:

THE UNITED STATES, CHARGING THAT CANADA VIOLATED INTERNATIONAL TRADE AGREEMENTS, IS SEEKING COMPENSATION IN NEGOTIATIONS UNDER WAY HERE AND IN OTTAWA.

ROBERT MCCONNELL, A TRADE POLICY SPECIALIST IN THE U.S. AGRICULTURE DEPARTMENT, SAID YESTERDAY THE VIOLATIONS DEPRESSED THE PRICE OF BEEF IN THE U.S. AND FORCED UP THE PRICE  
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OF CHERRIES TO THE CONSUMER IN CANADA.

A DECISION ON THE CHERRY ISSUE IS EXPECTED OUT OF OTTAWA BEFORE THE END OF THIS MONTH, HE SAID, WITH RESOLUTION OF THE BEEF SITUATION EXPECTED "AT ANY TIME NOW."

THE U.S. SAYS CANADA CONTRAVENED SECTION 19 OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) WHEN IT IMPOSED

TARIFF SURCHARGES OF SIX CENTS A POUND ON BEEF AND THREE CENTS A POUND ON LIVE CATTLE LAST NOVEMBER. FOLLOWING A U.S. PROTEST, THE SURCHARGES WERE REMOVED AND LATER CANADIAN FARMERS AND RANCHERS WERE GRANTED A FEDERAL SUBSIDY OF SEVEN CENTS A POUND ON TOP GRADES OF BEEF.

THE PROTEST ON CHERRY PRICING CAME AFTER OTTAWA PLACED A "VALUE-FOR-DUTY" SURCHARGE ON THAT PRODUCT, SETTING A MINIMUM PRICE UNDER WHICH SWEET CHERRIES COULD CROSS THE BORDER INTO CANADA.

MCCONNEL SAID THAT WHEN CANADA IMPOSED THE BEEF SURCHARGE - UP FROM THE NORMAL CANADIAN TARIFF OF THREE CENTS ON BEEF AND 1.5 CENTS ON LIVE CATTLE - "BEEF PRICES IN KANSAS CITY WERE DEPRESSED.

"THE DROP IN PRICE WAS ALMOST IDENTICAL TO THE AMOUNT OF THE SURCHARGE," HE SAID. "IT LOOKED LIKE A DIRECT REACTION".

MCCONNELL SAID, HOWEVER, THAT "IT WOULD BE HARD TO SAY WHETHER THERE WAS A DIRECT RELATIONSHIP."

2. CRAIG OLIVER OF FINANCE TELEPHONED COMMERCIAL COUNSELOR MORNING OF MARCH 21 TO REGISTER GOC PUZZLEMENT AND CONCER OVER USG PRESS DISCLOSURE AND CHARGE THAT CANADA IN VIOLATION OF GATT. ANTICIPATING QUESTIONS IN PARLIAMENT THIS AFTERNOON, HE SAID HE WAS BRIEFING MINISTERS TO EFFECT GOC NOT RPT NOT IN VIOLATION OF GATT, GOC HAD CONSULTED USG PRIOR TO LEVYING SURTAXES AND CONSULTATION CONTINUING ON COMPENSATION.

3. HE SAID ALSO HE HAD RECEIVED INQUIRY FROM LE MONDE LIMITED OFFICIAL USE

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ASKING WHETHER CANADA NOW ALSO COMING UNDER GUN FROM WASHINGTON, AS EUROPE HAS BEEN LATELY.

4. FOLLOWING REFERENCE TELECON, COM'L COUNSELOR CALLED OLIVER BACK TO EXPLAIN THAT STATE DEPARTMENT HAD DECLINED COMMENT MARCH 19 TO TORONTO WEEKLY FINANCIAL POST REPORTER BUT THAT CP REPORTER OBVIOUSLY HAD REACHED MCCONNEL OF USDA. COM'L COUNSELOR SAID EMBASSY AND STATE DEPARTMENT REGRETTED AGGRAVATION OF ISSUE AND HOPED NEGOTIATIONS COULD BE HELD IN DISCREET FASHION.  
PORTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CATTLE, FRUIT, TARIFF AGREEMENTS, TRADE AGREEMENTS, PRICES, DIPLOMATIC PROTESTS, MEATS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974OTTAWA00818  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740060-0714  
**From:** OTTAWA  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1974/newtext/t19740326/aaaaaxzw.tel  
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**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** MARCH 21 MELLOR-GLITMAN TELECON  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15 APR 2002 by boyleja>; APPROVED <03 JUL 2002 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CANADIAN CHERRY & BEEF SURTAXES: U.S. COMPENSATION REQUESTS.  
**TAGS:** ETRD, CA, US, GATT  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005